BUDGET SPEECH

1971-72

Thiru M. Karunanidhi

Chief Minister

25th March 1971

Speech of Thiru M. Karunanidhi, Chief Minister, presenting the Budget for 1971–72 *to the Legislative Assembly of Tamil Nadu on 25th March* 1971.

Sir,

I rise to present the Budget Estimates for 1971–72 together with the Revised Estimates for 1970–71.

2. We meet today after a historic election in which the people of the State have given a clear and positive mandate to a party and a Government formed, nurtured and shaped by Anna. It is my pleasant duty to welcome the Hon'ble Members of the House to a term of fruitful service to the people. An administration is run for those who have voted for the ruling party as well as for those who have not. I would define a good administration as one which gives a sense of belonging to all people, irrespective of how they voted. This Government welcome the free and fair expression of all points of view and would respect the right to democratic dissent and constructive criticism both within and outside the House.

Interim Budget.

3. The Budget I am presenting now is an interim one. Government have not had the time after the elections to consider all the new schemes

and the resources in their entirety. Therefore, we propose to place a regular budget including new schemes before the House in June 1971. For the present, although the estimates of expenditure and receipts have been worked out for the whole year 1971–72, I am requesting appropriations from the House only for the first four months of the coming year. A White Paper explaining briefly the Accounts 1969–70, Revised Estimates 1970–71 and Budget Estimates 1971–72 has been placed on the table of the House along with the other budget documents. I do not propose to go into details except to invite the attention of the House to a few salient features of the finances of the State.

Budget at a glance.

4. The Budget Estimates for 1971–72 provide for a total expenditure of Rs 349·6 crores on revenue account and Rs 30·85 crores on capital account. Besides, we have provided Rs 32·67 crores for loans and advances to agriculturists, local bodies, the Electricity Board and other corporate bodies. The estimates also include provision for repayment of Rs 36·72 crores to the Government of India and Rs 8·85 crores towards open market loans. On the side of receipts, we estimate revenues at Rs 338·7 crores, capital receipts from the open market loans at Rs 21·81 crores and loans from the Government of India at Rs 44·57 crores. Other significant items in the category of receipts are net loans from autonomous bodies like Life Insurance Corporation and the commercial banks, R 3·37 crores, net deposits of various under- takings and local bodies, Rs 18·72 crores and recoveries of loans, Rs 19·27 crores. During 1971–72, on all accounts, we expect a total outlay of Rs 458·69 crores, as against a total receipt of Rs 446·44 crores. There is thus a gap of Rs 12 crores roundly, in the estimates for 1971–72. This is superimposed on the

continuing gap of Rs 23 crores carried over from the current year, which finally leads to a gap of Rs 35 crores at the end of 1971–72.

Fifth Finance Commission Award.

5. I would like to emphasise before the House that while this gap is in one sense a reflection of the increasing tempo of developmental activity in the State, it also brings out prominently the failure of the Government of India to provide grants towards the cost of increase of emoluments of our employees. We have recently granted increased emoluments to our employees based on the recommendations of the Second Pay Commission. The total cost of implementation of these recommendations in a full year comes to roughly Rs 22 crores. Considering the effect of giving arrears for 1970–71 from 2nd October 1970 and the special compensatory allowance of Rs 10 per mensem given from 1st March 1970, the total impact of the Pay Commission alone over the two years 1970—72 will be of the order of Rs 38 crores. We had indicated these foreseeable and inevitable commitments on the revenue account before the Fifth Finance Commission. The Fifth Finance Commission should have included these costs in allowing us deficit grants. We had, in particular, stressed the fact that we had not appointed a Pay Commission for ten years and our employees' emoluments were getting out of line with those of our neighbouring States. Unfortunately for us, the Fifth Finance Commission turned a deaf ear to our plea. The Government of India and the Planning Commission, whom we have continuously approached, have also not yet seen it fit to meet our requests. I would like to plead most emphatically that transfers of revenue should be based on legitimate projections of expenditure by States and not on whether the Pay Commissions of States were appointed prio ı to or after an arbitrary date (which incidentally was not intimated

to the States). Besides, the Government of India should, while increasing scales of pay and emoluments of their employees, take on at least a part of the commitment which their actions impose on the States. While we are in favour of timely adjustments of emoluments of Central Government employees, what I wish to urge is that the Government of India should decide their policies in regard to wages of Government servants after full consultation with State Governments and that they should evolve a scheme for grants to cover in a substantial measure the cost of increase of emoluments at least of low paid employees of State Governments in keeping with the rising cost of living. I would also reiterate the plea made in the Governor's address yesterday for evolving a suitable national wage-profit-price policy so that the continuing threat posed by inflation to economic stability can be halted.

Centre-State Financial Relations—Powers and Responsibilities.

6. The legitimate case of Tamil Nadu for increased transfer of resources from Government of India has been ignored too long. I would like to state a few pertinent facts in this connection. The structure of our federal fiscal system is such that most of the taxes, which respond to the growth of a modern economy, like customs, income taxes, corporation tax and excises are in the Central list. The only tax which is relatively income-elastic in the State list is the sales tax. While the power to tax is thus over-weighted in favour of the Centre, the responsibility to spend and meet the welfare goals of the people is all vested in the States. This dichotomy between powers to raise resources and responsibility to spend is at the root of all our problems. It is this Government's view that a radical change in the pattern of revenue-sharing should be brought about by amendment of the Constitution, if necessary. I am hoping that

when the Rajamannar Committee presents its report, our Government will be in a position to formulate definite views regarding this change.

The Fifth Finance Commission presented a report extremely unfair to Tamil Nadu, which allocated according to figures published in the report itself a per capita transfer of taxes and grants of only Rs 87·5 over the five years 1969–74 as against Rs 98·5 for the country as a whole. The difference of Rs 11 per capita would mean a net reduction of Rs 44 crores in the resources given to the State. This injustice shown to us by the Finance Commission is sought to be justified on the ground that it is a statutory body and that its findings are mandatory.

Transfer of Resources from the Centre.

7. Our grievance is that while Government of India have remedied similar injustices in the case of a few other States through the device of special accommodation and central assistance from the Planning Commission, so far, Government of India have not acceded to our request. The central assistance promised for the State's earlier Fourth Plan of 1966–1971 was Rs 250 crores out of a total allocation of roughly Rs 3,500 crores. While the total allocation of central assistance is at the same level, the share of Tamil Nadu has been reduced to Rs 202 crores for the revised Fourth Plan. In terms of percentages, this represents a decline from 10·8 in the First Plan to 5·7 in the current plan. While we were told that the total assistance could not be increased beyond Rs 3,500 crores and therefore our share could not go up, a sum of Rs 800 crores has been allocated for special accommodation to certain select States. While we surely do not grudge these States their share of additional resources, we do find it hard to believe that once again we have been left out.

The net result of all this is that taking all schemes of transfer of central resources together, the five-year transfer to Tamil Nadu is Rs 142·5 per capita as against a national average of Rs 185·5 per capita. I wish to state most emphatically on this occasion that this is not a just way of dealing with a State which has done its best by prudently managing its finances, raising adequate resources and minimising wasteful expenditure. I have represented this case at the highest level to the Government of India and I hope and trust that the Prime Minister of India and the Finance Minister will render justice to the State.

Need for a Federal Debt Commission.

8. I now turn to another aspect of our financial situation which reflects the imbalance in federal financial arrangements. In 1971–72 the total amount of loans to the State from Government of India estimated to be received is Rs 44·57 crores and the total amount due for repayment Rs 43·72 crores. The House will note that in the estimates we have taken into account a likely rescheduling of Rs 7 crores for which we have approached the Government of India. Accordingly the repayment figures have been fixed at Rs 36·72 crores. However, if this request is not conceded, the net loan to the State will be less than a crore of rupees. This has to be viewed against the annual net outflow of loans from Government of India of nearly Rs 250 to 300 crores. This is a very unsatisfactory state of affairs, in that this State gets scarcely any share of the resources which the Government of India raise in the open market and through deficit financing. If we take into account the payment of interest also, the total debt service payment to Government of India during 1971–72 is in fact Rs 16 crores more than the loans we are to receive from them. It is against this background that this Government have expressed the view that an urgent

need of today is to set up a Federal Debt Commission to go into the question of the heavy burden of debt of the States and to recommend measures to lighten it.

Need for a Minimal Plan.

9. This continued neglect of Tamil Nadu has imposed very severe financial constraints on our growth. Notwithstanding these, we have provided for almost all continuing developmental schemes in the Budget Estimates placed before the House. We have pressed with the Government of India that resources should be made available to meet the minimum desirable plan of Rs 90 crores for 1970–71 and Rs 100 crores for 1971–72. It is my hope that the Government of India will consider our request favourably·

Developmental outlays.

10. Although this is an interim budget, it provides for a plan of Rs 91·13 crores in the State sector. Over and above this, Rs 11·7 crores for Centrally Sponsored Schemes have also been included. Besides, we have persuaded the Government of India to include Ramanathapuram and Dharmapuri districts under the Special Rural Works Programme at a total cost of Rs 4 crores. We have also provided for the establishment of Small Farmers Development Agencies to cater for small farmers in the districts of South Arcot, Madurai and Tirunelveli at a total cost of Rs 4·8 crores. North Arcot and Salem will be covered by marginal farmers and agricultural labourers' programmes.

Power.

11. Significant among the provisions in the Plan for 1971–72 is the outlay of Rs 39·51 crores on electricity. Generation schemes alone account for an outlay of Rs 9·39 crores. Rural electrification, is expected to absorb a total outlay of Rs 21·50 crores. It is programmed to electrify 9,000 villages and energise

60,000 pumpsets in 1971–72. Inspite of the paucity of resources, the tempo of rural electrification is being kept up.

Social Services.

12. The budget also includes a provision of Rs 79·11 crores for education, both Plan and non-Plan. This is nearly double the provision of Rs 43·86 crores in 1966–67. Similarly, the provision for medical schemes has shown an increase from Rs 11·73 crores in1966–67 to Rs 20·53 crores in 1971–72. Another significant provision included in the budget is Rs 14·65 crores for water-supply schemes, which compares well with Rs 3·56 crores in 1966–67 and Rs 5·42 crores in 1969–70. This includes an outlay of Rs 7·88 crores on Veeranam scheme and Rs 4·33 crores for schemes in municipalities and town panchayats and Rs 1·5 crores for rural water-supply. I would like to draw the attention of the House to the provision of Rs 3 crores for Slum Clearance and Rs 2·87 crores for other schemes of housing. I may also add that the provision made for welfare of Backward Classes and Scheduled Castes, has been stepped up to nearly Rs 9·91 crores, although the assistance received from the Government of India remains at less than Rs 0·5 crore. Out of this, nearly Rs 3·7 crores is set apart for Backward Classes and Rs 6·2 crores for Scheduled Castes and Scheduled Tribes.

Irrigation and Roads.

13. Irrigation schemes will absorb a total outlay of Rs 8·48 crores during the year. Besides the usual maintenance outlays on roads, the budget also provides for a Plan outlay of Rs 3·21 crores on road development.

Corporation of Madras

14. The budget also provides for Rs 1·65 crores for loans and grants to the Corporation of Madras. The development of the City of Madras has been undertaken

as part of a long-term development plan. We are also hoping that we can raise additional resources from the Life Insurance Corporation and the open market to improve the financial position of the Corporation. Certain important changes in the administrative structure of the Corporation are also under consideration.

15. Incidentally, I am also happy to announce that the municipality of Madurai will become a Corporation with effect from 1st May 1971 and that suitable legislation for this purpose will be undertaken. It is only appropriate that we should add lustre to this great City with its hoary past, where the Sangam flourished and whose glory has been sung by poets like Mangudi Maruthanar and Nakkirar and reputed western historians like Ptolemy and Pliny. Corporation of Madurai.

16. As a Government we are committed to improving the levels of living of our people. We believe that the economy should be modernised and a new socialist society built up. A plan of development, which should be drawn up on the basis of assuring full employment, improving skills, marshalling the idle manpower resources and exploiting the natural wealth of the country, cannot be built up on the basis of a narrow accounting approach. State Planning Commission.

As the Governor announced yesterday in his speech, Government have decided to draw up a ten-year perspective plan with a view to combating the problems of unemployment and poverty in the State. A State Planning Commission will be set up consisting of administrators, economists and technologists who will identify industrial and agricultural opportunities and formulate a perspective plan as the basis for our five year plans.

Our emphasis is on finding the financial resources for a plan of development rather than constricting the plan through an accounting concept of available resources. Our approach to the budget is to view it as an instrument for accelerated development. While the revised budget will reflect in full this approach, the interim budget also maintains unimpaired the tempo of development. I am confident that the people of Tamil Nadu will not let any political differences or bitterness come in the way of the co-operative endeavour so necessary for the planned development of the State.

With these few words, Sir, I commend the Budget Estimates for 1971–72 to the House for its approval.

MADRAS,
25th March 1971.

M. KARUNANIDHI,
Chief Minister.